

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

IN THE MATTER OF THE APPLICATION OF)	<u>TELECOMMUNICATIONS</u>
VERIZON NEW JERSEY, INC. FOR THE)	
APPROVAL OF THE SALE AND)	
CONVEYANCE OF REAL PROPERTY)	ORDER OF APPROVAL
LOCATED IN THE TOWNSHIPS OF)	
FREEHOLD AND MANALAPAN,)	
MONMOUTH COUNTY, NEW JERSEY TO)	DOCKET NO. TM04050334
CENTRASTATE MEDICAL CENTER, INC.)	

(SERVICE LIST ATTACHED)

BY THE BOARD:

On May 7, 2004, Verizon New Jersey Inc. ("Petitioner" or "VNJ") filed an application for approval of the sale and conveyance of real property ("Property") located in the Townships of Freehold and Manalapan, Monmouth County, New Jersey to CentraState Medical Center ("Buyer"). On September 22, 2004, VNJ revised data contained in its petition to reflect the correct acreages and net book value of land to be conveyed along with corresponding corrected journal entries. According to the petition, VNJ is the owner of certain land located partially in the Township of Freehold and the Township of Manalapan, Monmouth County, New Jersey. The Property is known and designated as Lot 4 and 4Q, Block 86 on the Freehold Township Tax Map and as Lot 3, Block 80 on the Manalapan Township Tax Map. The portion of the property to be conveyed is approximately 77 acres of land, consisting of Parcels A, C, and D, and collectively referred to as Sales Parcels ("Sales Parcels"). The Parcel A property consists of approximately 61.40 acres; the Parcel C property consists of approximately 8.10 acres; and the Parcel D property consists of approximately 7.50 acres. Of the total 77 acres comprising the Sales Parcels, approximately 74 acres are located in Freehold Township and approximately 3 acres in Manalapan Township. The Petitioner is retaining a portion of the Property consisting of 67.94 acres ("Retained Parcel"), for its continued use as required in connection with Petitioner's business. In addition to these Sales Parcels, the Buyer also intends to use an additional 1.23 acres of land from the Retained Parcel to develop accessory surface parking/and a future roadway connection to be constructed on a portion of the Retained Parcel.

The consideration ("Purchase Price") to be paid by the Buyer to Petitioner for the conveyance will be a sum equal to \$108,000.00 for each acre comprising the Sales Parcels and the Parking/Future Connection Area of the Retained Parcel referred to

above, computed to the nearest one-thousandth of an acre in accordance with the survey — which based upon the estimated acreage of the Sales Parcels' approximately 77 acres equates to \$8,301,252. The price paid will be \$8,440,092 when the 1.23 acre future Parking Area referred above is included. The Purchase Price is subject to adjustment based upon the final acreage calculation determined by the Buyer's subdivision application and the survey.

Petitioner further states that in anticipation of future subdivisions based on site plan approvals from county and municipal planning boards, the Buyer and Petitioner entered into an Amendment to Purchase Agreement ("Amendment") on May 7, 2004. Pursuant to this Amendment, Petitioner and Buyer, subsequent to the sale of the Sales Parcels, will be required to exchange parcels of land to provide access to existing and future roadways. This exchange of land will result in a net reduction in acreages sold to the Buyer of approximately 2 acres requiring an adjustment of approximately \$216,000 in the Purchase Price in favor of the Buyer.

The property was acquired on November 30, 1981, consisted of approximately 178 acres, including a farmhouse and an out building, at a total cost of \$1.7 million dollars ("Original Purchase"). This Original Purchase was acquired for construction of a Corporate Data Center ("Data Center"). In 1983, Petitioner constructed its existing two-story Data Center building on approximately 68 acres of the Original Purchase. The balance of the Original Purchase, consisting of approximately 110 acres, is not and has never been used for utility purposes and has been considered as surplus land ("Surplus Land") since its acquisition. In or about January, 1996, VNJ determined that the Surplus Land was not then or prospectively required for utility purposes and authorized that it be marketed for sale. Therefore, in early 1996, Petitioner engaged the services of Cushman & Wakefield to represent it in marketing and selling the Surplus Land.

In 1997, a portion of the Surplus Land, consisting of 32 acres, was sold to the Buyer herein for \$640,000.00, which sale was approved by the Board by Order, dated August 18, 1997, in I/M/O Matter of Application of Bell Atlantic-New Jersey Inc. for the Approval of Sale and Conveyance of Real Property Located in the Township of Freehold, Monmouth County, New Jersey to CentraState Health Care Systems, Inc., Docket No. TM96120843 ("1997 Sale").

Subsequent to the 1997 sale, Cushman & Wakefield continued to market the balance of the Surplus Land on behalf of the Petitioner. In that regard, bids were solicited by advertisements published in October, 1998, and February, 2003, which either produced no bids or bids which were rejected because they were less than the appraised value of the land in question. Sealed bids were solicited again in July, 2003 which produced two bids including a high bid from the Matzel & Mumford Organization, which was subsequently withdrawn after the prospective purchaser determined it could not obtain municipal zoning approval for residential use. The lands comprising the Sales Parcels were again advertised for sale on December 10, 2003, and December 17, 2003, in the Asbury Park Press, a newspaper in general circulation in Monmouth County. One bid was received from the Buyer in the amount of \$108,000 per acre, which was accepted by Petitioner subject to the Board's approval.

CB Richard Ellis, Inc., a real estate appraiser, was requested to review the current market conditions and determine the value of the Property. The appraiser concluded,

based on the available market data, that as of February 18, 2004, the market value of the Sales Parcels was \$49,798 per acre or \$3,895,698 for approximately 78.23 acres.

According to the Petitioner, no improvement has been constructed on the Sales Parcels with the exception of a secondary access roadway running from Grave Hill Road across Parcel A of the Retained Parcel. Petitioner is reserving a perpetual easement on such roadway for the benefit of the Retained Parcel.

According to VNJ, Petitioner reserves the following rights or interests in the Property: (I) the rights to use an existing internal driveway across Parcel A to serve the Retained Parcel; and (II) the rights to fiber optic lines, cables or conduits, and sanitary sewer and other utility pipes and/or lines both in the rights-of-way abutting the Property or as otherwise depicted on the Boundary Plan submitted with the petition as Schedule A (Exhibit 1), as more particularly described as The Verizon Easements and Restrictions in the purchase agreement ("Purchase Agreement") between the Buyer and the Petitioner. The Purchase Agreement further restricts the Buyer from using the Sales Parcels, after closing, in any manner which adversely affects the Petitioner's ability to use or operate the Data Center facilities on the Retained Lands.

According to the petition, Petitioner believes that the Purchase Price of \$108.000 per acre is the best price attainable for the Sales Parcels based upon the marketing efforts and appraisal described above, and the Sales Parcels are presently carried on the Petitioner's books at \$1,170,681.59 and \$1,152,175.15 with and without the 1.23 acres of land for future parking referred to above.

While the Sales Parcels have not been separately assessed pending the subdivision by the Buyer, the major portion of the Sales Parcels in Freehold Township is currently being farmed and is currently assessed at \$69,000 based upon an agricultural assessment pursuant to the Farmland Assessment Act of 1964. The portion of the Sales Parcels situated in Manalapan Township is currently assessed at \$22,909 per acre.

The portion of the Property comprising the Sales Parcels is currently being leased to a tenant farmer on a month-to-month basis at a rental equal to 20% of profit made from the farming of the premises not to exceed \$3,612 per year. Petitioner pays all carrying charges including taxes on the property.

VNJ and the Buyer have complied with all statutory requirements regarding sale of utility Property as contained in N.J.A.C. 14:1-5.6 and N.J.S.A. 48:3-7, and there is no relationship between the parties other than that of transferor and transferee.

RATEPAYER ADVOCATE'S COMMENTS

On June 29, 2004, the Division of the Ratepayer Advocate ("RPA") submitted its comments. According to the RPA, while VNJ has satisfied the statutory and regulatory requirements necessary for Board approval of the sale and conveyance of real property in question, the Board should adopt the position advocated by the RPA in I/M/O Application of Verizon New Jersey, Inc. for Approval of the Sale of Surplus Land to Plainfield-Hadley, LLC – Request for Order to Extend Date for Completing Sale, Docket No. TM02050281. In comments dated October 10, 2003, the RPA asserts that the Board's approval of the sale should be conditioned on VNJ sharing all profits from the

sale by flow through of such profits to ratepayers in the form of an upward adjustment to the equipment fund of VNJ's existing Access New Jersey Program.

DISCUSSION

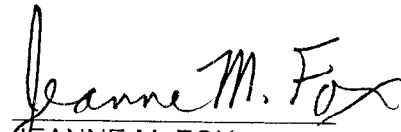
The Board has determined that it is necessary to allow the parties an opportunity to address the issue of whether the proceeds of sale of the subject property should be shared with the ratepayers since this matter has not been addressed specifically in the Board's Decision and Order I/M/O the Application of Verizon New Jersey Inc. for Approval (i) of a New Plan for an Alternative Form of Regulation and (ii) to Reclassify Multi-line Rate Regulated Business Services as Competitive Services, and Compliance Filing, Docket No. TO01020095. The Board, has initiated a process to explore the issue of the sharing of proceeds in I/M/O The Board's Investigation as to Whether Ratepayers Should Share in the Proceeds Arising From the Sale and Conveyance of Real Property by Verizon New Jersey, Inc., Docket No. TX04080749. However, the Board HEREBY FINDS that this process should not delay Petitioner's request for an approval of the sale of its surplus real estate property as requested in its petition. In view of the foregoing, the Board FURTHER FINDS that the proposed sale of said Property will not affect Petitioner's ability to provide safe, adequate and proper service, is in the public interest and in accordance with law, and accordingly HEREBY APPROVES the sale, subject to the following conditions:

- Petitioner is directed to advise the Board of the date on which the transaction is completed, within ten (10) days of the date of completion;
- This Order shall be of no effect, null and void, if the sale hereby approved is not completed within six (6) months of the date hereof unless otherwise ordered by the Board;

- Petitioner shall ensure that the proceeds from this transaction will be made available within 60 days, with interest at a rate to be determined by the Board in the event the Board ultimately determines that sharing of the proceeds with ratepayers is appropriate; and
- The approval of the proposed journal entries recording the sale of this Property shall not affect or in any way limit the exercise of the authority of this Board, or of this State, in any future petition or in any proceeding with respect to rates, financing, accounting, capitalization, depreciation or in any other matters affecting Petitioner.

DATED: 9/24/04


BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


CAROL J. MURPHY
COMMISSIONER

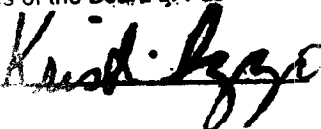

CONNIE O. HUGHES
COMMISSIONER


JACK ALTER
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



**In the Matter of the Application of Verizon New Jersey Inc.
for Approval of the Sale and Conveyance of Real Property
Located in the Townships of Freehold and Manalapan,
Monmouth County, New Jersey to the CentraState Medical Center**

Docket No. TM04050334

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